

# Town of Lunenburg

Finance Committee:  
Mark Erickson, Chairman  
Brian Laffond, Vice-Chairman  
Martha McDonald, Secretary  
Barbara Reynolds  
John Male  
Scott Gile



17 Main Street, P.O. Box 135  
Lunenburg, MA 01462-0135  
978.582.4139  
FAX 978.582.4148

## Lunenburg Finance Committee Minutes January 12, 2012

*Mark Erickson*  
1/26/12

Location: Town Hall  
Present: Brian Laffond, Martha McDonald, Mark Erickson, John Male, Barbara Reynolds, Scott Gile  
Attendees: Kerry Speidel

- 1) Meeting called to order by the Chairman at 7:00 PM
- 2) Communications
  - Planning Board will hold an Information Meeting on 1/23/12 on the Solar Project proposed for the Twin City Baptist property; project will bring some revenues in; land is taxable as real estate but solar panels are personal property (if associated with manufacturing corporation, it is non-taxable); may be a payment in lieu of taxes arrangement; Chase Road project would yield estimated additional \$42K revenues for solar units
  - Public Hearing related to Summer Street project scheduled
  - Meeting scheduled related to cell tower for Massachusetts Avenue
  - ATFC newsletters distributed
  - Three issues of "The Beacon" distributed
  - Central Massachusetts Mosquito Control Commission will hold an information meeting on 1/11/12
  - Lunenburg Library will hold a program titled "A Look at Culture from West Africa"
- 3) Minutes Review
  - Minutes needed for meeting on 10/18/11
  - Minutes reviewed for 11/10/11; BR made motion to accept; BL seconded; all approved
- 4) Committee/Department Reports
  - Capital Planning Committee – met today and committee was noting projects they supported and those they don't
  - DPW – building renovation nearly complete; may be moving in next week; project should come in about \$60K under total budget of \$1.3M; garage doors were rebid and new bid came in at half of original bid; \$60K has to be spent on items related to project
  - Monty Tech – West Boylston is considering joining the district
  - Public Safety – SG met with two Chiefs in November; both Chiefs have informed Town Manager of their notice to retire this summer
  - Sewer – Committee voted to raise fees as of 1/1/12 by 20% given they do not want to continue to use funds from Retained Earnings to cover operating costs (increase does not apply to minimum rate); Sewer Committee is working on their budget
  - Council on Aging – need to get Planning Board, School Committee and Council on Aging to decide who owns the land behind the building and what to do with it
  - Schools – submitted preliminary budget at \$16,606K, up from \$14,908K
  - Service Level Team – HANDOUT: History of Overrides; FinComm members on Service Level Team voiced that the FinComm members are on board for supporting an override but have not defined the amount; there is concern for our ability to sell an override; a \$1.9M override is 10%
- 5) Town Manager Updates
  - HANDOUT: Authorization for Deficit Spend to Snow and Ice Account – we are overspending budget due to tree and branch clean-up from the October storm; we will be reimbursed for much of the expenses from Federal Disaster Assistance at rate of 75%; letter has been sent to state asking for state reimbursement of 12 ½% of remaining 25%;

JM moved we approve expenditures in excess of available appropriations for snow and ice; BR seconded, all approved

- Will have Town Accountant's report at 1/26/12 meeting
- HANDOUT: GASB #45 Update – Town required to quantify its "Other Post-Employment Benefits' liability (health insurance benefits for retirees); you are required to quantify it but state law does not require you to fund the full liability, just the current costs; the funding for GASB #45 does not impact our town bond rating; for retirees eligible for health insurance, the town pays 75% of cost and 75% of the cost of Medicare Plan B; in Lunenburg, we negotiate all our benefits for all our unions together per Section 19; town could unaccept the provision to provide retiree health care; Town Manager could invite the Executive Director of Public Pension Plans to speak during the budget presentation for pension plans; may make more sense to do this in the fall after budget season
- School Building Committee – required by MSBA to have a FinComm representative on 12 member committee; Mark Erickson will be the FinComm representative

6) Next Meeting – January 26, 2012

7) Adjournment – JM made a motion to adjourn at 9:51 PM, BR seconded; all in favor

Minutes respectfully submitted by Martha McDonald

# Town of Lunenburg

## BOARD OF SELECTMEN

17 Main Street P O Box 185  
Lunenburg MA 01462-0185

David J. Matthews, Chairman  
Thomas A. Alonzo, Vice-Chairman  
Carl "Ernie" Sund, Clerk  
Steven M. deBettencourt, Mbr.  
Paula Bertram, Mbr.



978-582-4144, FAX 978-582-4148

Office Hours  
Mon, Wed, Thu. 8:00 AM - 4:00 PM  
Tues. 8:00 AM - 6:30 PM  
Fri. 8:00 AM - 12:30 PM

Kerry A. Speidel  
Town Manager

Laura Williams  
Chief Admin. Asst.

## MEMORANDUM

To: Board of Selectmen  
KAS  
From: Kerry A. Speidel, Town Manager  
Date: January 3, 2012  
Subject: GASB #45 Update

Effective July 1, 2008, the Town of Lunenburg was required to comply with GASB #45, which required that the Town quantify its "Other Post-Employment Benefits" Liability. Other referring to other than Pension Liability, with the main liability being for Health Insurance benefits provided to retirees.

Currently, the Town only funds its current costs, meaning only the cost of the employer's share of the Health Insurance Premiums; however, each year, the Town is also incurring a Post-Employment Benefits Liability, which is a combination of the percentage of the benefit earned from date of hire to beginning of the fiscal year, referred to as the "UAAL" or "Unfunded Accrued Actuarial Liability" and the percentage of the benefit earned during the fiscal year, referred to as the "Normal Cost". These two amounts, together with the annual premium cost, represent the true cost of the Town's Health Insurance Liability.

While MGL requires each entity's Pension Liability to be fully funded as of 2040, it does not require that its OPEB Liability be funded at any point in time, though it does now require it to be disclosed. The Town has established a separate trust fund for OPEB Liability, but has yet to set aside any money to actually begin funding the liability. As a point of reference, neither have most communities in the Commonwealth.

Attached you will find the most recent GASB #45 Valuation. I would be happy to review the document in more detail if you would like.

/kas

RECEIVED

OCT 31 2011

SELECTMEN'S OFFICE

**Town of Lunenburg Other  
Postemployment Benefits Plan**

**GASB 45 Actuarial Valuation**

*as of*

July 1, 2010

For the fiscal years ending

June 30, 2011

June 30, 2012

Delivered October 2011

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### LETTER

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October 31, 2011

*Personal and Confidential*

Ms. Kerry A. Speidel  
Town Manager  
Town of Lunenburg  
17 Main Street  
Lunenburg, MA 01462

Dear Ms. Speidel:

We have performed an actuarial valuation of the Town of Lunenburg Other Postemployment Benefits Plan for the fiscal year ending June 30, 2011. The figures presented in this report reflect the adoption, by the Town of Lunenburg, of Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") effective July 1, 2008.

The financial results of the actuarial valuation are summarized in the report. The Executive Summaries highlight the results of the valuation. Additional information summarizing census data, actuarial assumptions, claim rates and the methodology for developing them, as well as a glossary of selected terms used in this study, is also included in the report.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the plan and reasonable expectations and, in combination, represent our best estimate of the anticipated experience under the plan.

We refer you to Section I of this report for a detailed summary and commentary on the results of the valuation and a comparison with the prior valuation. Section II is a summary of the plan provisions, and Section III describes the actuarial cost method and assumptions. Details for cost calculations, supporting data, and disclosures are provided in Exhibits A through C.

We will be pleased to answer any questions that you may have regarding this actuarial valuation report.

Very truly yours,

  
Parker E. Elmore, A.S.A., E.A., M.A.A.A.  
President & CEO

Enclosure

# SECTION I

## PRINCIPAL RESULTS OF THE VALUATION

### Town of Lunenburg Comparison of Plan Liabilities to Prior Valuation

	<u>July 1, 2010</u>	<u>July 1, 2008</u>
I. Actuarial Accrued Liability (Projected Unit Credit)		
A. Actives	19,632,631	20,123,000
B. Retirees/Disabled	<u>22,822,782</u>	<u>20,461,000</u>
C. Total	42,455,413	40,584,000
II. Plan Assets	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	42,455,413	40,584,000
IV. Funded Ratio	0.00%	0.00%
V. Unrecognized Transition Obligation	39,331,055	40,584,000
VI. Annual Covered Payroll	14,459,251	13,909,371
VII. UAAL as % of Covered Payroll	293.60%	291.8%
VIII. Net OPEB Obligation	6,337,000	0
IX. Number of Covered Participants		
A. Actives	297	301
B. Retirees/Disabled	<u>141</u>	<u>198</u>
C. Total	438	499
For the Fiscal Year Ending:	<u>June 30, 2011</u>	<u>June 30, 2009</u>
X. Normal Cost	1,710,399	1,542,000
XI. Amortization of UAAL - 30 year flat dollar	2,360,374	2,640,000
XII. Annual Required Contribution ("ARC") [X. + XI.]	4,070,773	4,182,000
XIII. Interest on Net OPEB Obligation	253,480	0
XIV. Adjustment to Annual Required Contribution	(548,035)	0
XV. Amortization of Actuarial (Gains) / Losses	276,243	0
XVI. Annual OPEB Cost [XII. + XIII. + XIV. + XV.]	4,052,461	4,182,000
XVII. Expected Employer Contribution	1,273,856	1,146,000
XVIII. Percentage of Annual OPEB Cost Contributed	31.4%	27.4%
XIX. Net OPEB Obligation at Beginning of Year (VIII.)	6,337,000	0
XX. Increase in Net OPEB Obligations (XVI. - XVII.)	2,778,605	3,036,000
XXI. Net OPEB Obligation at End of Year (XIX. + XX.)	9,115,605	3,036,000

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\* in addition to the nearly \$4M the town funds for premiums

SECTION I  
PRINCIPAL RESULTS OF THE VALUATION  
(continued)

Total

**Town of Lunenburg  
Plan Liabilities as of July 1, 2010**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	19,568,426	0	64,205	19,632,631
B. Retirees/Disabled	<u>22,617,240</u>	<u>0</u>	<u>205,542</u>	<u>22,822,782</u>
C. Total	42,185,666	0	269,747	42,455,413
II. Plan Assets	0	0	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	42,185,666	0	269,747	42,455,413
IV. Unrecognized Transition Obligation	39,081,160	0	249,895	39,331,055
V. Annual Covered Payroll	14,459,251	14,459,251	14,459,251	14,459,251
VI. UAAL as % of Covered Payroll	291.8%	0.0%	1.9%	293.6%
VII. Net OPEB Obligation	6,296,737	0	40,263	6,337,000
VIII. Number of Covered Participants				
A. Actives	297	0	297	
B. Retirees/Disabled	<u>141</u>	<u>0</u>	<u>124</u>	
C. Total	438	0	421	
For Fiscal Year Ending June 30, 2011				
IX. Normal Cost	1,705,508	0	4,891	1,710,399
X. Amortization of UAAL - 30 year flat dollar	2,345,377	0	14,997	2,360,374
XI. Annual Required Contribution (ARC) [ IX. + X.]	4,050,885	0	19,888	4,070,773
XII. Interest on Net OPEB Obligation	251,870	0	1,610	253,480
XIII. Adjustment to Annual Required Contribution	(544,553)	0	(3,482)	(548,035)
XIV. Amortization of Actuarial (Gains) / Losses	274,487	0	1,766	276,243
XV. Annual OPEB Cost [XI. + XII. + XIII. + XIV.]	4,032,689	0	19,772	4,052,461
XVI. Expected Employer Contribution	1,258,630	0	15,228	1,273,858
XVII. Percentage of Annual OPEB Cost Contributed	31.2%	0.0%	77.0%	31.4%
XVIII. Net OPEB Obligation at Beginning of Year (VII.)	6,296,737	0	40,263	6,337,000
XIX. Increase in Net OPEB Obligations (XV. - XVI.)	2,774,059	0	4,546	2,778,605
XX. Net OPEB Obligation at End of Year (XVIII. + XIX.)	9,070,796	0	44,809	9,115,605



SECTION I  
PRINCIPAL RESULTS OF THE VALUATION  
(continued)

Town

Town of Lunenburg  
Town Employees & Retirees  
Plan Liabilities as of July 1, 2010

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	5,398,183	0	17,613	5,415,796
B. Retirees/Disabled	<u>4,190,909</u>	<u>0</u>	<u>45,814</u>	<u>4,236,723</u>
C. Total	9,589,092	0	63,427	9,652,519
II. Plan Assets	0	0	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	9,589,092	0	63,427	9,652,519
IV. Unrecognized Transition Obligation	8,883,416	0	58,759	8,942,175
V. Annual Covered Payroll	3,351,351	3,351,351	3,351,351	3,351,351
VI. UAAL as % of Covered Payroll	286.1%	0.0%	1.9%	288.0%
VII. Net OPEB Obligation	1,431,291	0	9,467	1,440,758
VIII. Number of Covered Participants				
A. Actives	61	0	61	
B. Retirees/Disabled	<u>31</u>	<u>0</u>	<u>27</u>	
C. Total	92	0	88	
For Fiscal Year Ending June 30, 2011				
IX. Normal Cost	391,513	0	1,110	392,623
X. Amortization of UAAL - 30 year flat dollar	533,120	0	3,527	536,647
XI. Annual Required Contribution ("ARC") [ IX. + X.]	924,633	0	4,637	929,270
XII. Interest on Net OPEB Obligation	57,252	0	379	57,631
XIII. Adjustment to Annual Required Contribution	(123,781)	0	(819)	(124,600)
XIV. Amortization of Actuarial (Gains) / Losses	62,393	0	413	62,806
XV. Annual OPEB Cost [XI. + XII. + XIII. + XIV.]	920,497	0	4,610	925,107
XVI. Expected Employer Contribution	251,058	0	3,629	254,687
XVII. Percentage of Annual OPEB Cost Contributed	27.3%	0.0%	78.7%	27.5%
XVIII. Net OPEB Obligation at Beginning of Year (VII.)	1,431,291	0	9,467	1,440,758
XIX. Increase in Net OPEB Obligations (XV. - XVI.)	669,439	0	981	670,420
XX. Net OPEB Obligation at End of Year (XVIII. + XIX.)	2,100,730	0	10,448	2,111,178

# SECTION I

## PRINCIPAL RESULTS OF THE VALUATION (continued)

*School*

### Town of Lunenburg School Employees & Retirees Plan Liabilities as of July 1, 2010

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	14,097,233	0	48,350	14,143,583
B. Retirees/Disabled	18,426,331	0	159,728	18,586,059
C. Total	32,523,564	0	208,078	32,729,642
II. Plan Assets	0	0	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	32,523,564	0	208,078	32,729,642
IV. Unrecognized Transition Obligation	30,130,107	0	190,912	30,321,019
V. Annual Covered Payroll	11,060,618	11,060,618	11,060,618	11,060,618
VI. UAAL as % of Covered Payroll	294.0%	0.0%	1.9%	295.9%
VII. Net OPEB Obligation	4,854,548	0	30,760	4,885,308
VIII. Number of Covered Participants				
A. Actives	235	0	235	
B. Retirees/Disabled	110	0	97	
C. Total	345	0	332	
For Fiscal Year Ending June 30, 2011				
IX. Normal Cost	1,304,524	0	3,749	1,308,273
X. Amortization of UAAL - 30 year flat dollar	1,808,198	0	11,457	1,819,655
XI. Annual Required Contribution ("ARC") [ IX. + X.]	3,112,722	0	15,206	3,127,928
XII. Interest on Net OPEB Obligation	194,182	0	1,230	195,412
XIII. Adjustment to Annual Required Contribution	(419,830)	0	(2,660)	(422,490)
XIV. Amortization of Actuarial (Gains) / Losses	211,619	0	1,341	212,960
XV. Annual OPEB Cost [XI. + XII. + XIII. + XIV.]	3,098,693	0	15,117	3,113,810
XVI. Expected Employer Contribution	1,007,572	0	11,597	1,019,169
XVII. Percentage of Annual OPEB Cost Contributed	32.5%	0.0%	76.7%	32.7%
XVIII. Net OPEB Obligation at Beginning of Year (VII.)	4,854,548	0	30,760	4,885,308
XIX. Increase in Net OPEB Obligations (XV. - XVI.)	2,091,121	0	3,520	2,094,641
XX. Net OPEB Obligation at End of Year (XVIII. + XIX.)	6,945,669	0	34,280	6,979,949

# SECTION I

## PRINCIPAL RESULTS OF THE VALUATION

(continued)

### Town of Lunenburg Enterprise Employees & Retirees Plan Liabilities as of July 1, 2010

*Sewer  
Enterprise*

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	73,010	0	242	73,252
B. Retirees/Disabled	0	0	0	0
C. Total	73,010	0	242	73,252
II. Plan Assets	0	0	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	73,010	0	242	73,252
IV. Unrecognized Transition Obligation	67,637	0	224	67,861
V. Annual Covered Payroll	47,282	47,282	47,282	47,282
VI. UAAL as % of Covered Payroll	154.4%	0.0%	0.5%	154.9%
VII. Net OPEB Obligation	10,898	0	36	10,934
VIII. Number of Covered Participants				
A. Actives	1	0	1	
B. Retirees/Disabled	0	0	0	
C. Total	1	0	1	
For Fiscal Year Ending June 30, 2011				
IX. Normal Cost	9,471	0	32	9,503
X. Amortization of UAAL - 30 year flat dollar	4,059	0	13	4,072
XI. Annual Required Contribution ("ARC") [ IX. + X.]	13,530	0	45	13,575
XII. Interest on Net OPEB Obligation	436	0	1	437
XIII. Adjustment to Annual Required Contribution	(942)	0	(3)	(945)
XIV. Amortization of Actuarial (Gains) / Losses	475	0	2	477
XV. Annual OPEB Cost [XI. + XII. + XIII. + XIV.]	13,499	0	45	13,544
XVI. Expected Employer Contribution	0	0	0	0
XVII. Percentage of Annual OPEB Cost Contributed	0.0%	0.0%	0.0%	0.0%
XVIII. Net OPEB Obligation at Beginning of Year (VII.)	10,898	0	36	10,934
XIX. Increase in Net OPEB Obligations (XV. - XVI.)	13,499	0	45	13,544
XX. Net OPEB Obligation at End of Year (XVIII. + XIX.)	24,397	0	81	24,478

## Commentary on Plan Experience and Contribution Amounts

### 1. Transition to GASB 45:

The Plan adopted and implemented GASB 45 ("Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions") effective for the fiscal year ending June 30, 2009. As part of this implementation, the Employer must recognize the Actuarial Accrued Liability for past service. Under GASB 45, this amount may be amortized over a period not to exceed thirty (30) years. The Unfunded Actuarial Accrued Liability at transition was amortized over a 30 year period and a flat dollar amortization of the Unfunded Actuarial Accrued Liability at transition. This approach yields an amortization charge of \$2,360,374. Additionally the Employer must recognize a "normal cost" which represents the annual accrual of benefits for current active employees toward their ultimate postemployment benefits. The normal cost for the 2011 fiscal year is \$1,710,399. The combined amortization charge and normal cost represent the Annual Required Contribution ("ARC") for the plan for the 2011 fiscal year. As the Employer has chosen to continue their "pay-as-you-go" funding policy, this valuation must utilize a discount rate which represents earnings on short term investments. For this discount rate, we have used 4.00% per annum. The incremental cost of GASB 45 for the 2011 fiscal year beyond the "pay-as-you-go" costs is \$2,778,605.

### 2. Plan Experience:

Plan experience was slightly more favorable than expected. This is due to slightly lower than expected increases in medical costs. This was offset somewhat by a reduction in the rate used to discount plan liabilities from 5.0% to 4.0% to reflect lower yields available in the marketplace. Additionally, we identified approximately 11 retirees receiving medical coverage over the age of 65 in non-Medicare integrated plans. If they were to move to Medicare integrated plans, that would generate substantial savings to the Town on both a cash and OPEB expense basis. These net actuarial gains are amortized into the annual OPEB costs over a 15-year period (the segment of the actuarial loss reflecting OPEB costs in excess of employer contributions is offset by the ARC Adjustment). The net impact of the plan experience is a slight decrease in the annual OPEB cost.

\* these  
retirees  
are  
ineligible  
for  
Medicare

SECTION II  
SUMMARY OF PLAN PROVISIONS

<u>Effective Date</u>	July 1, 2008; GASB 45 is adopted.
<u>Plan Year</u>	July 1 through June 30.
<u>Eligibility</u>	An employee shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service or an employee shall be able to retire with 20 years of service regardless of age.
<u>Credited Service</u>	Elapsed time from date of hire to termination of service date.
<u>Participant Contributions</u>	Retirees who are enrolled in the Medex 3 plan shall pay 50% of stated monthly premiums. All other retirees shall pay 25% of stated monthly premiums for medical insurance. Retirees will pay 50% of premiums for life insurance.
<u>Benefits Offered</u>	Comprehensive Medical Insurance offered through Blue Cross of Massachusetts as well as Group Term Life Insurance.
<u>Normal Retirement Date</u>	The normal retirement date is the first day of the month following a participant's 65th birthday.
<u>Early Retirement</u>	Early retirement is available for any participant who has attained benefit eligibility.

### SECTION III

#### ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

##### A. ACTUARIAL COST METHOD

The actuarial cost method used to calculate the costs and liabilities of the plan is the Projected Unit Credit Actuarial Cost Method. Under this method, the normal cost and actuarial accrued liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to expected total service at retirement/termination.

Actuarial gains and losses are calculated each year and amortized over a 15 year period.

All employees who are plan participants on a valuation date are included in the actuarial valuation.

##### B. ASSET VALUATION METHOD

The actuarial value of assets is equal to the Market Value of the Plan's assets.

### SECTION III

#### ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

#### C. ACTUARIAL ASSUMPTIONS

We used the following assumptions in this year's actuarial valuation:

Pre- and Post-Retirement Mortality

It is assumed that both pre-retirement and post-retirement mortality are represented by the RP-2000 Mortality Table for males and females.

Discount Rate

4.00% per annum (previously 5.00%)

Employee Termination

It was assumed that employees would terminate employment in accordance with the sample rates shown in the following table:

<u>Service</u>	<u>Non Public Safety Male</u>	<u>Non Public</u>	<u>Public</u>
		<u>Safety Female</u>	<u>Safety</u>
0	15.00%	15.00%	1.50%
5	10.20%	10.20%	1.50%
10	5.40%	5.40%	1.50%
15	3.70%	3.70%	0.00%
20	2.00%	2.00%	0.00%
25	1.00%	1.00%	0.00%
30	0.00%	0.00%	0.00%

### SECTION III

#### ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

#### C. ACTUARIAL ASSUMPTIONS (continued)

##### Retirement Rates

It was assumed that the following percentage of eligible employees would retire each year:

<u>Age</u>	<u>Non Public Safety Male</u>	<u>Non Public Safety Female</u>	<u>Public Safety</u>
45	0.00%	0.00%	1.00%
46	0.00%	0.00%	1.00%
47	0.00%	0.00%	1.00%
48	0.00%	0.00%	1.00%
49	0.00%	0.00%	1.00%
50	1.00%	1.50%	2.00%
51	1.00%	1.50%	2.00%
52	1.00%	2.50%	2.00%
53	1.00%	2.50%	5.00%
54	2.00%	2.50%	7.50%
55	2.00%	5.50%	15.00%
56	2.50%	6.50%	10.00%
57	2.50%	6.50%	10.00%
58	5.00%	6.50%	10.00%
59	6.50%	6.50%	15.00%
60	12.00%	5.00%	20.00%
61	20.00%	13.00%	20.00%
62	30.00%	15.00%	25.00%
63	25.00%	12.50%	25.00%
64	22.00%	18.00%	30.00%
65	40.00%	15.00%	100.00%
66	25.00%	20.00%	100.00%
67	25.00%	20.00%	100.00%
68	30.00%	25.00%	100.00%
69	30.00%	20.00%	100.00%
70	100.00%	100.00%	100.00%
71	100.00%	100.00%	100.00%
72	100.00%	100.00%	100.00%



### SECTION III

#### ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

#### C. ACTUARIAL ASSUMPTIONS (continued)

##### Healthcare Trend

It was assumed that healthcare costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.5%
FY 2009	10.0%	8.0%
FY 2010	9.0%	7.5%
FY 2011	9.8%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

##### Participation Rate

It was assumed that 80% of the employees eligible to receive retirement benefits would enroll in the retiree medical and dental plans upon retirement. For life insurance plans, it was assumed that 80% of eligible employees would elect coverage upon retirement.

##### Percent Married

It was assumed that 80% of the participants who elect retiree healthcare coverage for themselves would also elect coverage for a spouse upon retirement. It was further assumed that husbands are three years older than their wives. For current retirees, the actual census information was used.

### SECTION III

#### ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

##### C. ACTUARIAL ASSUMPTIONS (continued)

Compensation Increases 4.50% per year.

Additional Comments The values in this report reflect a closed group and do not reflect any new entrants after the valuation date.

For purposes of this valuation, retiree contributions were assumed to increase with the same trend rate as health care claims.

### SECTION III

#### ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

##### D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS

Initial premiums were developed for the two classes of retirees (pre-65 and post-65). These premiums were developed using fully insured premium rates in conjunction with census data for the retired participants of the Town of Lunenburg's medical benefit program.

The pre-65 fully insured premiums are blended rates based on the combined experience of active and pre-65 retired members. Therefore, there is an implicit employer subsidy for the non-Medicare eligible retirees as the average costs of providing healthcare benefits to retirees under age 65 is higher than the average cost of providing healthcare benefits to active employees. The true per-capita cost for the non-Medicare retirees is developed by adjusting the demographic differences between the actives and retirees to reflect this implicit rate subsidy for the retirees. For the Medicare eligible retirees, the premium rate will be used as the basis of the initial pre-capita cost without adjustment as the rate reflects the actual claim experience of the post-65 retiree group.

Age graded and sex distinct premiums are utilized in this valuation. The premiums developed by the preceding process are appropriate for the existing unique age and sex distribution. Over the future years covered by this valuation, the age and sex distribution will likely change. Therefore, the process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each specific age/sex combination. The age/sex specific premiums more accurately reflect the healthcare utilization and cost at that age.

Based on guidance provided by GASB on issues related to Medicare Part D payments to State and Local Governments effective as of June 30, 2006, an employer should apply the measurement requirements of GASB Statement No. 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer, and the annual OPEB cost without reduction for Retiree Drug Subsidy (RDS) payments. Therefore, the impact of the RDS that is part of Medicare Prescription Drug Improvement and Modernization Act of 2003 is not reflected in this report.

### SECTION III

#### ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

#### D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS

##### I. CLAIMS COSTS DEVELOPMENT - Based on Active & Retiree Incurred Claims & Premiums

	<u>Number of Participants</u>			
	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>	<u>Total</u>
Blue Care Elect PPO	1		4	5
HMO Blue	93		188	281
BCBS Medex 3	6	2		8
BCBS Managed Blue	<u>39</u>	<u>37</u>		<u>76</u>
Total	139	39	192	370

	<u>Per Contract Costs (monthly) - FY 2012</u>		
	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>
Blue Care Elect PPO	726.99		1,911.96
HMO Blue	589.75		1,551.03
BCBS Medex 3	708.77	1,417.54	
BCBS Managed Blue	474.74	949.48	

Gross Expected FY 2012 Non Medicare Incurred Premiums	4,257,783
Adjustment to reflect children's claims	<u>(860,155)</u>
Total Expected FY 2012 Non Medicare Incurred Premiums (adults only)	3,397,628

##### II. PRE-65 AND POST-65 PER CAPITA RETIREE ANNUAL CLAIM COSTS

	<u>Employer Primary</u>	<u>Medicare Primary</u>
Age 65	8,669	5,925
Average Age	8,726	5,925

### SECTION III

## ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

### D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS

#### III. BREAKDOWN OF CLAIM COSTS

3,397,628 Active and Retired Claims (No Children) - Including Administrative fees & trend

4,054 Average Per-Capita Claim (Including Retention & Pooling)

#### ALL ACTIVE EMPLOYEES AND SPOUSES

Age	Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
0	24 & Under	4	2	1.312	0.549	5,319	2,226	25,728
25	25 to 29	15	10	1.312	0.591	5,319	2,396	103,745
30	30 to 34	21	17	1.312	0.712	5,319	2,886	160,761
35	35 to 39	13	15	1.312	0.850	5,319	3,446	120,837
40	40 to 44	25	19	1.312	1.000	5,319	4,054	210,001
45	45 to 49	34	31	1.456	1.193	5,903	4,836	350,618
50	50 to 54	38	37	1.599	1.441	6,482	5,842	462,470
55	55 to 59	31	29	1.740	1.753	7,054	7,107	424,777
60	60 to 64	18	15	1.968	2.102	7,978	8,522	255,478
65	65 to 69	4	4	2.168	2.316	8,789	9,389	72,712
70	70 & Over	3	2	2.396	2.557	9,713	10,366	49,671
	Total	204	181					2,236,988

#### ALL RETIREES AND SPOUSES - NOT MEDICARE ELIGIBLE

	Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
0	44 & Under	0	0	1.312	1.000	5,319	4,054	0
45	45 to 49	1	1	1.456	1.193	5,903	4,836	10,739
50	50 to 54	1	1	1.599	1.441	6,482	5,842	12,324
55	55 to 59	5	5	1.740	1.753	7,054	7,107	70,805
60	60 to 64	42	29	1.968	2.102	7,978	8,522	582,214
65	65 to 69	7	13	2.168	2.316	8,789	9,389	183,560
70	70 to 74	6	4	2.396	2.557	9,713	10,366	99,742
75	75 to 79	6	5	2.593	2.769	10,512	11,226	119,202
80	80 to 84	2	2	2.724	2.910	11,043	11,797	45,680
85	85 to 89	1	1	2.864	3.059	11,611	12,401	24,012
90	90 & Over	1	0	3.010	3.215	12,203	13,034	12,203
	Total	72	61					1,160,501

#### ALL RETIREES AND SPOUSES - MEDICARE ELIGIBLE

	Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
65	65 to 69	18	18	2.168	2.316	5,925	5,925	0
70	70 to 74	14	9	2.396	2.557	5,925	5,925	0
75	75 to 79	17	14	2.593	2.769	5,925	5,925	0
80	80 to 84	10	10	2.724	2.910	5,925	5,925	0
85	85 to 89	3	1	2.864	3.059	5,925	5,925	0
90	90 & Over	6	1	3.010	3.215	5,925	5,925	0
	Total	68	53					0
	Grand Totals	344	295					3,397,499

## EXHIBIT A

### Financial Statement Disclosure (As of July 1, 2010)

The GASB Standards for accounting and financial reporting for postemployment benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree medical and life insurance benefits;

#### 1. A DESCRIPTION OF THE RETIREE MEDICAL INSURANCE PROGRAM:

- a. Plan Type: Comprehensive Medical Insurance offered through Blue Cross of Massachusetts. Additionally, the Town shall reimburse retirees for 75% of the costs for Medicare Part B coverage.
- b. Administrator: Town of Lunenburg
- c. Eligibility: An employee shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service or an employee shall be able to retire with 20 years of service regardless of age.
- d. Cost Sharing: Retirees enrolled in the Medex 3 plan shall pay 50% of stated monthly premiums. All other retirees shall pay 25% of stated monthly premiums.

#### 2. A DESCRIPTION OF THE DENTAL INSURANCE PROGRAM:

- a. Plan Type: Not offered
- b. Administrator: N/A
- c. Eligibility: N/A
- d. Cost sharing: N/A

#### 3. A DESCRIPTION OF THE RETIREE LIFE INSURANCE PROGRAM:

- a. Plan Type: Group Term Life Insurance - \$5,000
- b. Administrator: Town of Lunenburg
- c. Eligibility: Same as above
- d. Cost sharing: Retirees shall pay 50% of premiums.

## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

#### 4. RETIREE MEDICAL, DENTAL AND LIFE INSURANCE CONTRIBUTIONS:

Group	Individual	Family
Medical	25% to 50%	25% to 50%
Dental	N/A	N/A
Life	50%	N/A

#### 5. FUNDING POLICY

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2011 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,273,856.

## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

#### 6. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual Required Contribution	\$4,070,773
Interest on net OPEB obligation	\$253,480
Adjustment to annual required contribution	(\$548,035)
Amortization of Actuarial (Gains) / Losses	\$276,243
Annual OPEB cost (expense)	\$4,052,461
Contributions made	\$1,273,856
Increase in net OPEB obligation	\$2,778,605
Net OPEB Obligation – beginning of year	\$6,337,000
Net OPEB Obligation – end of year	\$9,115,605



## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation
06/30/2008	N/A	N/A	N/A
06/30/2009	\$4,182,000	\$1,146,000	\$3,036,000
06/30/2010	\$4,564,000	\$1,263,000	\$3,301,000
06/30/2011	\$4,052,461	\$1,273,856	\$2,778,605
06/30/2012 (est.)	\$4,261,435	\$1,393,752	\$2,867,683
06/30/2013 (est.)	\$4,463,181	\$1,490,130	\$2,973,051

### Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/2007	N/A	N/A	N/A	0.00%	N/A	N/A
07/01/2008	\$0	\$40,584,000	\$40,584,000	0.00%	\$13,909,371	291.77%
07/01/2009	\$0	\$43,057,650	\$43,057,650	0.00%	\$13,909,371	309.56%
07/01/2010	\$0	\$42,455,413	\$42,455,413	0.00%	\$14,459,251	293.60%
07/01/2011 (est.)	\$0	\$44,607,634	\$44,607,634	0.00%	\$15,109,917	295.22%
07/01/2012 (est.)	\$0	\$46,822,997	\$46,822,997	0.00%	\$15,789,864	296.54%

EXHIBIT A

Financial Statement Disclosure

(As of July 1, 2010)

(continued)

Fiscal Year Ending June 30, 2011				
	<u>Town Employees &amp; Retirees</u>	<u>School Employees &amp; Retirees</u>	<u>Enterprise Employees &amp; Retirees</u>	<u>Total</u>
OPEB obligation at beginning of year	1,440,758	4,885,308	10,934	6,337,000
Annual OPEB Cost	925,107	3,113,810	13,544	4,052,461
Expected Employer Payments	254,687	1,019,169	-	1,273,856
Increase in OPEB Obligation	670,420	2,094,641	13,544	2,778,605
OPEB obligation at end of year	2,111,178	6,979,949	24,478	9,115,605
APBO at beginning of year	9,652,519	32,729,642	73,252	42,455,413

Fiscal Year Ending June 30, 2012				
	<u>Town Employees &amp; Retirees</u>	<u>School Employees &amp; Retirees</u>	<u>Enterprise Employees &amp; Retirees</u>	<u>Total</u>
OPEB obligation at beginning of year	2,111,178	6,979,949	24,478	9,115,605
Annual OPEB Cost	972,813	3,274,380	14,242	4,261,435
Expected Employer Payments	278,658	1,115,094	-	1,393,752
Increase in OPEB Obligation	694,155	2,159,286	14,242	2,867,683
OPEB obligation at end of year	2,805,333	9,139,235	38,720	11,983,288
APBO at beginning of year	10,141,841	34,388,828	76,965	44,607,634

Fiscal Year Ending June 30, 2013				
	<u>Town Employees &amp; Retirees</u>	<u>School Employees &amp; Retirees</u>	<u>Enterprise Employees &amp; Retirees</u>	<u>Total</u>
OPEB obligation at beginning of year	2,805,333	9,139,235	38,720	11,983,288
Annual OPEB Cost	1,018,868	3,429,397	14,916	4,463,181
Expected Employer Payments	297,927	1,192,203	-	1,490,130
Increase in OPEB Obligation	720,941	2,237,194	14,916	2,973,051
OPEB obligation at end of year	3,526,274	11,376,429	53,636	14,956,339
APBO at beginning of year	10,645,518	36,096,691	80,787	46,822,997

## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

#### **7. FUNDED STATUS AND FUNDING PROGRESS**

As of July 1, 2010, the most recent valuation date, the plan was 0.00% funded. The actuarial liability for benefits was \$42,455,413, and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$42,455,413. The covered payroll (annual payroll of active employees covered by the plan) was \$ 14,459,251 and the ratio of the UAAL to the covered payroll was 293.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **8. EFFECT OF 1% CHANGE IN HEALTHCARE TREND RATES**

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$51,949,978 or by 22.4% and the corresponding Normal Cost would increase to \$2,337,905 or by 36.7%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$34,900,014 or by 17.8% and the corresponding Normal Cost would decrease to \$1,244,223 or by 27.3%.

## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

#### 9. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit  
Investment Rate of Return: 4.00% per annum (previously 5.00%)  
Healthcare Trend Rates

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.5%
FY 2009	10.0%	8.0%
FY 2010	9.0%	7.5%
FY 2011	9.8%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.50% per annum  
Annual Compensation Increases: 4.50% per annum  
Actuarial Value of Assets: Market Value  
Amortization of UAAL: Level dollar amortization over 30 years at transition  
Remaining Amortization Period: 28 years at July 1, 2010

## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

#### 10. Remaining Amortization Bases

The initial Actuarial Accrued Liability as of the date GASB 45 was adopted is amortized as a component of the Annual Required Contribution ("ARC"). The Unfunded Actuarial Accrued Liability at transition was amortized over a 30 year period and a flat dollar amortization of the Unfunded Actuarial Accrued Liability at transition. For years subsequent to the initial adoption of GASB 45, cumulative gains/losses are amortized on a level dollar basis over a 15 year period. Gains and losses arise from experience and contribution deficiencies and excess contributions in relation to each year's ARC under GASB 45.

<b>Changes in Unfunded Actuarial Liability Since Prior Valuation</b>
--

#### *Expected Unfunded Actuarial Liability*

1. Actuarial Accrued Liability at prior valuation date	40,584,000
2. Actuarial Value of Assets at prior valuation date	0
3. Unfunded Actuarial Accrued Liability at prior valuation date [1. - 2.]	40,584,000
4. Normal Cost for prior periods	3,084,000
5. Employer Contributions for prior periods	(2,409,000)
6. Interest to current valuation date	4,339,189
7. Expected Actuarial Accrued Liability [3. + 4. + 5. + 6.]	45,598,189

#### *Actual Unfunded Actuarial Liability*

8. Actuarial Accrued Liability at current valuation date	42,455,413
9. Actuarial Value of Assets at current valuation date	0
10. Unfunded Actuarial Accrued Liability at current valuation date [8. - 9.]	42,455,413

*Net Actuarial (Gain) / Loss from Plan Experience [10. - 7.]* (3,142,776)

*Contribution Deficiency or Excess Contributions* 6,337,000

*Total (Gain) or Loss to be amortized* 3,194,224

## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

Amortization of Initial Unfunded and Plan Experience under GASB 45						
Date Established	Description	Initial Amount	Initial Amortization Period	Remaining Balance at Valuation Date	Remaining Amortization Period	Annual Amortization Payment
July 1, 2008	GASB 45 Adoption	40,584,000	30	39,331,056	28	2,360,374
July 1, 2010	Cumulative (Gain) / Loss	3,194,224	15	3,194,224	15	276,242
Total				42,525,280		2,636,616

#### 11. Recognition of OPEB trust assets

The State of Massachusetts has recently passed legislation allowing municipal entities to establish a trust for Other Than Postemployment Benefits ("OPEB") under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 45. To the best of our knowledge Town of Lunenburg has not established an irrevocable trust for the purposes of prefunding liabilities under GASB 45.

## EXHIBIT A

### Financial Statement Disclosure

(As of July 1, 2010)

(continued)

#### 12. Impact of Section 9A1/2 of M.G.L. Chapter 32B

For employees who retire on or after January 1, 2011 whenever a retired employee or beneficiary receives a healthcare premium contribution from a governmental unit in a case where a portion of the retiree's creditable service is attributable to service in 1 or more other governmental units, the first governmental unit shall be reimbursed in full, in accordance with this paragraph, by the other governmental units for the portion of the premium contributions that corresponds to the percentage of the retiree's creditable service that is attributable to each governmental unit. The other governmental units shall be charged based on their own contribution rate or the contribution rate of the first employer, whichever is lower.

For purposes of the valuation we have not attempted to value the impact of prior governmental service at other entities in the State of Massachusetts for current employees of the Town of Lunenburg nor have we attempted to value the impact of prior Town of Lunenburg employees currently working at other governmental entities in the State of Massachusetts.

EXHIBIT B

Reconciliation of Plan Participation  
(As of July 1, 2010)

ACTIVE EMPLOYEES

	<u>July 1, 2010</u>	<u>July 1, 2008</u>
A. Average Age at Hire	36.58	37.15
B. Average Service	10.32	9.48
C. Average Current Age	46.90	46.63



# EXHIBIT C

## Projected Cash Flows (Open Group)

Total Medical, Dental & Life Insurance												
Fiscal Year	Total APBO	Normal Cost	Employer Share of Premiums / Claims	Expected Amortization	Interest on Net OPEB Obligation	Net Amortizations	Expected Annual OPEB Cost	Expected OPEB Obligation	Excess Employer Payments (beyond claims)	Plan Assets at Beginning of year	Unfunded Accrued Actuarial Liability ("UAAI")	
2011	42,455,413	1,710,399	1,273,856	2,360,374	253,480	(271,792)	4,052,461	6,337,000	0	0	42,455,413	
2012	44,607,634	1,808,229	1,393,752	2,360,374	364,624	(271,792)	4,261,435	9,115,605	0	0	44,607,634	
2013	46,822,997	1,895,267	1,490,130	2,360,374	479,332	(271,792)	4,469,181	11,983,288	0	0	46,822,997	
2014	49,117,260	1,981,706	1,595,095	2,360,374	598,254	(271,792)	4,668,542	14,956,339	0	0	49,117,260	
2015	51,484,025	2,086,527	1,684,337	2,360,374	721,191	(271,792)	4,896,300	18,029,786	0	0	51,484,025	
2016	53,962,716	2,197,781	1,781,686	2,360,374	849,670	(271,792)	5,136,033	21,241,749	0	0	53,962,716	
2017	56,553,965	2,306,541	1,886,449	2,360,374	983,844	(271,792)	5,378,967	24,596,096	0	0	56,553,965	
2018	59,253,019	2,407,401	2,008,194	2,360,374	1,123,545	(271,792)	5,619,528	28,088,614	0	0	59,253,019	
2019	62,038,315	2,527,077	2,140,697	2,360,374	1,267,998	(271,792)	5,883,657	31,699,948	0	0	62,038,315	
2020	64,924,774	2,629,986	2,294,029	2,360,374	1,417,717	(271,792)	6,136,285	35,442,908	0	0	64,924,774	
2021	67,872,183	2,749,522	2,447,644	2,360,374	1,571,406	(271,792)	6,409,510	39,285,164	0	0	67,872,183	
2022	70,901,595	2,882,781	2,602,231	2,360,374	1,729,881	(271,792)	6,701,244	43,247,030	0	0	70,901,595	
2023	74,029,979	3,024,214	2,755,231	2,360,374	1,893,842	(271,792)	7,006,638	47,346,043	0	0	74,029,979	
2024	77,270,920	3,172,272	2,913,757	2,360,374	2,063,898	(271,792)	7,324,752	51,597,450	0	0	77,270,920	
2025	80,631,298	3,331,592	3,074,690	2,360,374	2,240,337	(271,792)	7,660,511	56,008,445	0	0	80,631,298	
2026	84,123,727	3,508,353	3,232,471	2,360,374	2,423,771	0	8,292,498	60,594,266	0	0	84,123,727	
2027	87,776,517	3,694,877	3,387,999	2,360,374	2,626,172	0	8,681,423	65,654,293	0	0	87,776,517	
2028	91,607,707	3,894,334	3,546,587	2,360,374	2,837,909	0	9,092,617	70,947,717	0	0	91,607,707	
2029	95,633,673	4,096,326	3,713,901	2,360,374	3,059,750	0	9,516,450	76,493,747	0	0	95,633,673	
2030	99,856,741	4,313,896	3,880,744	2,360,374	3,291,851	0	9,966,121	82,296,296	0	0	99,856,741	
2031	104,302,405	4,540,236	4,043,624	2,360,374	3,535,267	0	10,435,877	88,381,673	0	0	104,302,405	
2032	108,991,435	4,774,439	4,217,015	2,360,374	3,790,957	0	10,925,770	94,773,926	0	0	108,991,435	
2033	113,930,813	5,029,339	4,377,524	2,360,374	4,059,307	0	11,449,020	101,482,681	0	0	113,930,813	
2034	119,165,934	5,274,429	4,563,099	2,360,374	4,342,167	0	11,976,970	108,554,177	0	0	119,165,934	
2035	124,672,747	5,544,696	4,747,136	2,360,374	4,638,772	0	12,543,792	115,968,048	0	0	124,672,747	
2036	130,489,118	5,825,731	4,932,978	2,360,374	4,950,588	0	13,136,693	123,764,704	0	0	130,489,118	
2037	136,637,973	6,115,818	5,134,768	2,360,374	5,278,737	0	13,754,929	131,968,419	0	0	136,637,973	
2038	143,124,162	6,420,004	5,342,218	2,360,374	5,623,543	0	14,403,921	140,588,580	0	0	143,124,162	
2039	149,970,025	6,741,078	5,568,430	0	5,986,011	0	12,727,089	149,650,283	0	0	149,970,025	
2040	157,189,801	7,080,591	5,800,378	0	6,272,358	0	13,352,949	156,808,942	0	0	157,189,801	

Town of Lunenburg Other Postemployment Benefits Plan  
Actuarial Valuation as of July 1, 2010

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# EXHIBIT C

## Projected Cash Flows (Open Group) (continued)

Medical Insurance											
Fiscal Year	Total APBO	Normal Cost	Employer Share of Premiums / Claims	Expected Amortization	Interest on Net OPEB Obligation	Net Amortizations	Expected Annual OPEB Cost	Expected OPEB Obligation	Excess Employer Payments (beyond claims)	Plan Assets at Beginning of year	Unfunded Accrued Actuarial Liability ("UAAL")
2011	42,185,666	1,705,508	1,258,630	2,345,377	251,870	(270,066)	4,032,689	6,296,737	0	0	42,185,666
2012	44,337,846	1,803,221	1,378,567	2,345,377	362,832	(270,066)	4,241,364	9,070,796	0	0	44,337,846
2013	46,553,001	1,890,195	1,475,001	2,345,377	477,344	(270,066)	4,442,850	11,933,593	0	0	46,553,001
2014	48,846,924	1,976,589	1,580,020	2,345,377	596,058	(270,066)	4,647,958	14,901,442	0	0	48,846,924
2015	51,213,233	2,081,316	1,669,340	2,345,377	718,775	(270,066)	4,875,402	17,969,380	0	0	51,213,233
2016	53,691,262	2,192,484	1,766,762	2,345,377	847,018	(270,066)	5,114,813	21,175,442	0	0	53,691,262
2017	56,281,664	2,301,188	1,871,586	2,345,377	980,940	(270,066)	5,357,439	24,523,493	0	0	56,281,664
2018	58,979,716	2,402,073	1,993,344	2,345,377	1,120,374	(270,066)	5,597,758	28,009,346	0	0	58,979,716
2019	61,763,983	2,521,725	2,125,877	2,345,377	1,264,550	(270,066)	5,861,586	31,613,760	0	0	61,763,983
2020	64,649,298	2,624,720	2,279,196	2,345,377	1,413,979	(270,066)	6,114,010	35,349,469	0	0	64,649,298
2021	67,595,631	2,744,311	2,432,782	2,345,377	1,567,371	(270,066)	6,386,993	39,184,283	0	0	67,595,631
2022	70,624,015	2,877,621	2,587,348	2,345,377	1,725,540	(270,066)	6,678,472	43,138,494	0	0	70,624,015
2023	73,751,405	3,019,081	2,740,334	2,345,377	1,889,185	(270,066)	6,983,577	47,229,618	0	0	73,751,405
2024	76,991,358	3,167,174	2,898,827	2,345,377	2,058,914	(270,066)	7,301,399	51,472,861	0	0	76,991,358
2025	80,350,775	3,326,515	3,059,724	2,345,377	2,235,017	(270,066)	7,636,843	55,875,483	0	0	80,350,775
2026	83,842,268	3,503,281	3,217,460	2,345,377	2,418,102	0	8,266,760	60,452,552	0	0	83,842,268
2027	87,494,132	3,689,813	3,372,925	2,345,377	2,620,074	0	8,655,264	65,501,852	0	0	87,494,132
2028	91,324,434	3,889,258	3,531,461	2,345,377	2,831,368	0	9,066,003	70,784,191	0	0	91,324,434
2029	95,349,521	4,091,251	3,698,698	2,345,377	3,052,749	0	9,489,377	76,318,733	0	0	95,349,521
2030	99,571,757	4,308,808	3,865,475	2,345,377	3,284,376	0	9,938,561	82,109,412	0	0	99,571,757
2031	104,016,607	4,535,137	4,028,279	2,345,377	3,527,300	0	10,407,814	88,182,498	0	0	104,016,607
2032	108,704,859	4,769,338	4,201,582	2,345,377	3,782,481	0	10,897,196	94,562,033	0	0	108,704,859
2033	113,643,520	5,024,214	4,362,018	2,345,377	4,050,306	0	11,419,897	101,257,647	0	0	113,643,520
2034	118,877,945	5,269,316	4,547,495	2,345,377	4,332,621	0	11,947,314	108,315,526	0	0	118,877,945
2035	124,384,148	5,539,575	4,731,440	2,345,377	4,628,614	0	12,513,566	115,715,345	0	0	124,384,148
2036	130,199,974	5,820,501	4,917,194	2,345,377	4,939,899	0	13,105,877	123,497,471	0	0	130,199,974
2037	136,348,340	6,110,686	5,118,889	2,345,377	5,267,446	0	13,723,509	131,686,154	0	0	136,348,340
2038	142,834,120	6,414,873	5,326,234	2,345,377	5,611,631	0	14,371,881	140,290,774	0	0	142,834,120
2039	149,679,669	6,735,945	5,552,335	2,345,377	5,973,457	0	15,049,402	149,336,421	0	0	149,679,669
2040	156,899,229	7,075,457	5,784,165	0	6,259,740	0	15,333,197	156,493,488	0	0	156,899,229

Town of Lunenburg Other Postemployment Benefits Plan  
Actuarial Valuation as of July 1, 2010

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# EXHIBIT C

## Projected Cash Flows (Open Group) (continued)

Dental Insurance													
Fiscal Year	Total APBO	Normal Cost	Employer Share of Premiums / Claims	Expected Amortization	Interest on Net OPEB Obligation	Net Amortizations	Expected Annual OPEB Cost	Expected OPEB Obligation	Excess Employer Payments (beyond claims)	Plan Assets at Beginning of year	Unfunded Accrued Liability ("JAAL")		
2011	0	0	0	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0

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Actuarial Valuation as of July 1, 2010  
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# EXHIBIT C

## Projected Cash Flows (Open Group) (continued)

### Life Insurance

Fiscal Year	Total APBO	Normal Cost	Employer Share of Premiums / Claims	Expected Amortization	Interest on Net OPEB Obligation	Net Amortizations	Expected Annual OPEB Cost	Expected OPEB Obligation	Excess Employer Payments (beyond claims)	Plan Assets at Beginning of year	Unfunded Accrued Liability ("UAAAL")
2011	269,747	4,891	15,226	14,997	1,610	(1,726)	19,772	40,263	0	0	269,747
2012	269,788	5,008	15,185	14,997	1,792	(1,726)	20,071	44,809	0	0	269,788
2013	269,996	5,072	15,129	14,997	1,983	(1,726)	20,381	49,695	0	0	269,996
2014	270,336	5,117	15,075	14,997	2,196	(1,726)	20,584	54,897	0	0	270,336
2015	270,792	5,211	14,997	14,997	2,416	(1,726)	20,898	60,406	0	0	270,792
2016	271,454	5,297	14,924	14,997	2,652	(1,726)	21,220	66,307	0	0	271,454
2017	272,301	5,353	14,863	14,997	2,904	(1,726)	21,528	72,603	0	0	272,301
2018	273,303	5,328	14,850	14,997	3,171	(1,726)	21,770	79,268	0	0	273,303
2019	274,332	5,352	14,820	14,997	3,448	(1,726)	22,071	86,188	0	0	274,332
2020	275,476	5,266	14,833	14,997	3,738	(1,726)	22,275	93,439	0	0	275,476
2021	276,552	5,211	14,862	14,997	4,035	(1,726)	22,517	100,881	0	0	276,552
2022	277,580	5,160	14,883	14,997	4,341	(1,726)	22,772	108,536	0	0	277,580
2023	278,574	5,133	14,897	14,997	4,657	(1,726)	23,061	116,425	0	0	278,574
2024	279,562	5,098	14,930	14,997	4,984	(1,726)	23,353	124,589	0	0	279,562
2025	280,523	5,077	14,966	14,997	5,320	(1,726)	23,668	133,012	0	0	280,523
2026	281,459	5,072	15,011	14,997	5,669	0	25,738	141,714	0	0	281,459
2027	282,385	5,064	15,074	14,997	6,098	0	26,159	152,441	0	0	282,385
2028	283,273	5,076	15,126	14,997	6,541	0	26,614	163,526	0	0	283,273
2029	284,152	5,075	15,203	14,997	7,001	0	27,073	175,014	0	0	284,152
2030	284,984	5,088	15,269	14,997	7,475	0	27,560	186,884	0	0	284,984
2031	285,798	5,099	15,345	14,997	7,967	0	28,063	199,175	0	0	285,798
2032	286,576	5,101	15,433	14,997	8,476	0	28,574	211,893	0	0	286,576
2033	287,293	5,125	15,506	14,997	9,001	0	29,123	225,034	0	0	287,293
2034	287,989	5,113	15,604	14,997	9,546	0	29,656	238,651	0	0	287,989
2035	288,599	5,121	15,696	14,997	10,108	0	30,226	252,703	0	0	288,599
2036	289,144	5,130	15,784	14,997	10,689	0	30,816	267,233	0	0	289,144
2037	289,633	5,132	15,879	14,997	11,291	0	31,420	282,265	0	0	289,633
2038	290,042	5,131	15,984	14,997	11,912	0	32,040	297,806	0	0	290,042
2039	290,356	5,133	16,095	0	12,554	0	32,662	313,862	0	0	290,356
2040	290,572	5,134	16,213	0	12,618	0	33,284	331,454	0	0	290,572

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## EXHIBIT D

### GLOSSARY

**Accrual Accounting** - A system of accounting in which revenues are recorded when earned and outlays are recorded when goods are received or services performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time.

**Actuarial Value of Assets** - The value of cash, investments, other assets and property belonging to an OPEB trust, pension fund or similar entity, as used by the actuary for the purpose of actuarial valuation. Some funds may be restricted for other purposes, and "smoothing" of investment gains and losses often make the actuarial value of assets different from the market value of assets.

**Annual Required Contribution** - Normal Cost plus an amortization of the funding shortfall over a period of no more than 30 years.

**Cash Basis Accounting** - A system of accounting in which revenues are recorded when actually received and outlays are recorded when payment is made.

**Discount Rate** - The interest rate used to calculate present value of a series of future cash flows. Under GASB 45, the rate should be "long term expected yield on the investments that are expected to be used to pay benefits as they come due. These would be plan investments for a funded plan, the employer's investments for a pay as you go plan [e.g. short term county investment pool], or a weighted average of expected plan and employer investments for a plan that is partially funded".

**FASB - Financial Accounting Standards Board.** "Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting and reporting".

**GASB - Government Accounting Standards Board.** "The Governmental Accounting Standards Board (GASB) was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities."

**GFOA - Government Finance Officers Association.** "GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906. Approximately 16,000 GFOA members are dedicated to the sound management of government financial resources."

## EXHIBIT D

### **GLOSSARY**

*(continued)*

**Implicit Subsidy** – “The difference between a premium rate charged to retirees for a particular benefit and the estimated rate that would have been applicable to those retirees if that benefit was acquired for them as a separate group.”

**Irrevocable Contribution** – “Irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator. The preceding criteria preclude counting as [irrevocable] contributions (a) designations of net assets of a governmental or proprietary fund to be used for OPEB or (b) internal transfers of assets to a separate governmental or proprietary fund for the same purpose. Rather, such actions should be regarded as earmarking of employer assets.”

**Level Dollar Amortization** – Funding a shortfall in OPEB assets with equal dollar payments over a designated number of years (no more than 30 years). The present value of the level payments equals the present value of unfunded liabilities, the UAAL.

**Level Percent of Payroll Amortization** – Funding a shortfall in OPEB assets as a level percent of payroll over a designated number of years (no more than 30 years). The present value of the payments equals the present value of unfunded liabilities, the UAAL. Level percent of payroll typically has lower payments in the early years than level dollar amortization. When using level payroll amortization, employee count is assumed to be constant, and the payroll differences arise from overall wage trends.

**Normal Cost** – The actuarially determined present value contribution needed to fund benefits which are earned for employee service rendered during the current year. Normal cost depends on many factors, including the interest rate used to discount future cashflows, and expected inflation.

**OPEB** – Other Post Employment Benefits

**OPEB Trust** – An entity other than a pension or retirement system which manages OPEB assets. In many respects it is similar to a pension fund for OPEB. For reasons detailed in GASB 45, contributions to an OPEB trust should be irrevocable in order to obtain the most favorable accounting treatment.

## EXHIBIT D

### **GLOSSARY**

*(continued)*

**Pay-as-you-go funding** – Paying benefits (such as pensions or OPEB) on a cash basis, with no money set aside for future liabilities which are already incurred.

**POB** – Pension Obligation Bond. Generally yielding taxable interest, POBs are issued to help fund a previously unfunded or underfunded pension liability.

**UAAL** – Unfunded Accrued Actuarial Liability. Actuarial Accrued Liability minus the Actuarial Value of Assets.

Year	Type	Amount	Result
1983	General Override	\$93,387.00	Failed
1984			
1985			
1986	General Override	\$106,090.00	Failed
1987	Debt Exclusion	\$111,450.00	F. 769/1816
1988			
1989	5/6/89 - General Override	\$489,199.00	F. 1336/1795
	7/27/89 - General Override	\$308,000.00	P. 1391/1148
1990	Nine (9) Debt Exclusion	Traffic Signal - \$45K	P.500/387
		Pumper-\$180K (all else failed)	P.481/398
1991	General Override	\$81,949.00	F. 926/972
	General Override	\$236,447.00	F. 864/1196
	Four (4) Debt Exclusion	All Failed	
1992	General Override	\$176,494.00	F. 736/1352
	Five (5) Debt Exclusion	All Failed	
1993	Twelve (12) Debt Exclusion	Landfill-\$800K, Middle Sch roof \$100k	
		Steam pipe \$38k; all else failed	
	General Override Nov 16, 1993	\$100,331.00	P. 398/376
1994	Exempt	Capital Outlay \$633,200.	P. 577/355
1995			
1996	General Override-School budget	\$862,047 (ballot) - \$654,408 (ATM)	Y-1003,N-946
1997	Debt Exclusion	Land-Pleasant St-\$450,000.	P. 745/523
1998			
1999			
2000			
2001	Debt Exclusion-failed in May	Primary School Building-STM Dec.1st	P. 460/254
2002	Debt Exclusion	Public Safety Building	P. 1668/1222
2003	Debt Exclusion	Library Bldg; Elem. School Repairs	P. 1414/649
2004			
2005			
2006	Six (6) Debt Exclusion	Athletic Fields/Bleachers only	Y-965, N-933
06STE	Athletic Fields	\$450,000	Y-2651,N-1594
2007	General Override	\$2.7 Million	Y-389, N-1936
2008			
2009			
2010			
2011			



# TOWN OF LUNENBURG

## BOARD OF SELECTMEN

17 Main Street, PO Box 135  
Lunenburg, MA 01462-0135

David J. Matthews, Chair  
Thomas A. Alonzo, Vice Chair  
Paula J. Bertram, Member  
Steven M. deBettencourt, Member  
Carl "Ernie" Sund, Member



978-682-4144, FAX 978-682-4148

Office Hours

Mon, Wed, Thu. 8:00AM - 4:00PM

Tues. 8:00AM - 6:30PM

Fri. 8:00 AM - 12:30 PM

Kerry A. Speidel

Town Manager

Chief Administrative Assistant

In accordance with Massachusetts General Law, Chapter 44 Section 31D, the Finance Committee, along with the Town Manager authorized expenditures in excess of available appropriations for snow and ice removal, provided that the expenditures are approved by the Board of Selectmen.

Vote taken on \_\_\_\_\_ in favor \_\_\_\_\_ opposed

Approved:

Approved:

\_\_\_\_\_  
Mark Erickson, Chair  
Finance Committee

\_\_\_\_\_  
Kerry A. Speidel  
Town Manager